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FEDERAL TRADE COMMISSION

OFFICE OF INSPECTOR GENERAL



AUDIT REPORT

**REVIEW OF THE FEDERAL TRADE COMMISSION'S
LIBRARY SERVICES**



FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

OFFICE OF
INSPECTOR GENERAL

March 31, 1992

Chairman Steiger:

The Office of Inspector General (OIG) recently concluded a review of the Federal Trade Commission's (FTC) library services program. The overall objective of the review was to determine if the library is being effectively managed and whether adequate internal controls are in place to safeguard library assets against loss. The specific control objectives for this OIG review were to determine if:

- Internal policies and procedures are in place and current;
- Research materials are current, relevant, and readily available;
- Physical assets are adequately safeguarded; and
- Services provided by the library are helpful and contribute to the agency's overall mission.

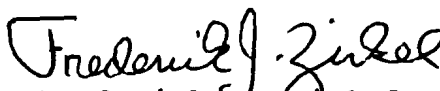
The OIG audit was performed in accordance with generally accepted auditing standards. We found no instances of illegal acts while conducting the review and we omitted no information from the report because of privilege or confidentiality. The audit included such tests as the auditor considered necessary to meet the audit objectives described above.

The OIG review found that the library generally follows applicable FTC and federal regulations. Agency staff indicated that the assistance provided them was of a high quality; that the library maintains current, relevant and readily available materials for review; and that the library is frequently used by the legal staff. We also verified, on a sample basis, that the books ordered in fiscal 1990 by the acquisitions staff of the library were received and available for check out and that periodicals received by the FTC appeared germane to the agency's mission. The audit team did not uncover any indication of overcharging on the part of FTC book suppliers.

Our review also identified certain steps that management can take to improve overall operations and reduce the library's vulnerability to loss. In addition, current library practices allow the public (who are not identified) to routinely work alongside of agency staff while they research or draft documents related to non-public matters.

We discussed the results of our review with appropriate FTC officials. Their comments are provided as an appendix to this report.

Respectfully yours,


Frederick J. Zirkel
Inspector General

**REVIEW OF THE FEDERAL TRADE COMMISSION'S
LIBRARY SERVICES**

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REVIEW OF THE FEDERAL TRADE COMMISSION'S LIBRARY SERVICES

The Federal Trade Commission (FTC) is an independent agency responsible for the administration of a variety of statutes that, in general, are designed to promote competition and to protect the public from unfair and deceptive acts and practices in the advertising and marketing of goods and services. To perform this mission, agency staff often rely on the FTC library to provide resource materials and research assistance on the activities of the Commission, antitrust and consumer protection law, general law, economics and business topics. The library also serves other government agencies, universities and colleges, private firms, and the general public.

FTC management is responsible for establishing and maintaining a system of internal controls to monitor the operation of the library. The objective of a system of internal controls is to provide management with reasonable assurance that operations are performed in accordance with federal policy, that documents are executed in accordance with management's authorization, and transactions are properly recorded to prepare accurate financial reports for use by management. Because of inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected. Also, projecting any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changing conditions or a deteriorating degree of compliance with the procedures. The specific control objectives for monitoring library operations should ensure that:

- o Internal policies and procedures are in place and current;
- o Research materials are current, relevant, and readily available;
- o Physical assets are adequately safeguarded; and
- o Services provided by the library are helpful and benefit FTC missions.

BACKGROUND

The Deputy Executive Director for Planning and Information oversees much of the agency's information support function, including the operation of the FTC library. In fiscal year 1990, the Library Services Division (which includes both the Information Center and the Library) spent about \$1.4 million to support this mission, and to assist other federal and non-federal users. The Division totals approximately 12.5 FTEs with the library being allocated a staff of eight: four librarians, including one part time, and four technicians. Below is a summary of the library's spending, including Information Center activities, for fiscal years 1989 through 1990:

LIBRARY SERVICES DIVISION SPENDING

<u>BUDGETARY ACCOUNT</u>	<u>(\$000)</u>	
	<u>FY 89</u>	<u>FY 90</u>
Salaries & Compensation.....	519	557
Periodicals.....	338	364
Books.....	53	40
Services.....	227	298
Other.....	<u>159</u>	<u>134</u>
	<u>1,296</u>	<u>1,393</u>
Staffing (FTEs).....	<u>12.6</u>	<u>12.6</u>

The library provides resource materials and research assistance on legal, economic, and general subjects using a variety of internal and external information sources and systems.¹ The library maintains an extensive collection (current and historical) of legal, business, and economic materials, consisting of over 115,000 volumes and 1,100 periodicals. The library also has a small collection of non-print materials consisting of films, audio cassettes, videotapes and computer-based training programs available for loan to FTC staff. The legal collection includes Supreme Court antitrust case briefs, an extensive law review collection, and all of the standard law reports, digests, encyclopedias, indices, and state codes. A separate legislative collection includes the Congressional Record, committee hearings, reports and documents, as well as compiled legislative histories of laws of interest to FTC. The business and economics collection contains various corporate and business directories and indices, including Moody's, Dun & Bradstreet, and Poor's directories, state industrial directories and Predicast indexes.

In FY 1990, the library spent about \$40,000 on book purchases and \$220,000 on serials, including law reporters, state codes, updates to legal loose-leaf services, and periodicals. Many of the periodicals (newspapers, magazines, journals, etc.) received by the library are made available to the staff through a periodicals routing system. The library's acquisition section orders all periodicals and books for both the FTC library and individual offices throughout the agency. To inform FTC staff of new acquisitions, the library publishes a monthly library bulletin, which lists new materials that the library has received, and citations to recent, pertinent law and economic journal articles in the collection. The Library Bulletin is distributed throughout the Commission and is also available in the library.

¹ Appendix I contains selected library-use statistics for FY 1991.

To supplement the library's physical collection, FTC contracts with several database suppliers to access information in over 200 computerized databases and participates in the interlibrary loan program, which includes federal, state, university, business, and international participation. In addition to handling direct requests for information searches on such databases as LEXIS and WESTLAW, library staff also provide training necessary for FTC staff to access these systems. During fiscal year 1991, FTC staff made 1,320 requests for information maintained at other libraries, and the FTC responded to 1,538 requests for source materials during the same period.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this program-related audit were to (1) assess the management controls associated with the operation of the FTC library; (2) evaluate the quality of assistance provided to FTC staff; and (3) determine whether the library maintains the research tools needed by FTC staff to effectively perform their responsibilities. The audit was performed at FTC headquarters in Washington, D.C., primarily in the Library Services Branch. Our review covered fiscal year 1990 purchases of books and periodicals as well as current library policies, procedures, and practices. We collected data for the audit through use of a survey, interviews, testing of selected transactions and analyses of library records.

The OIG began its analysis by reviewing all applicable policies and procedures governing the operation of the library. We then selected a random sample of 53 books from a universe of 328 books purchased in fiscal year 1990 to determine whether the books ordered were received, catalogued, and available for staff use. We also selected a judgmental sample of fiscal year 1990 periodical and book purchase orders to assess compliance with FTC and federal regulations. In addition, the OIG reviewed the library's missing files covering an eight-year period to identify the number and approximate dollar cost of missing or lost library books, and check-out card files to determine the magnitude of overdue books and to verify that only FTC employees had checked out books. We also contacted local book stores to compare prices paid by the library for books with discount prices available to the public.

To obtain data for evaluation of the quality of assistance provided by the library staff and the adequacy of the library's books and periodicals, the OIG sent questionnaires to 50 FTC staff members: twenty-five questionnaires were sent to staff that were known users of the library, and another twenty-five surveys were sent to randomly selected FTC staff members. Questionnaire responses are summarized in an appendix to the

report.² Finally, the OIG observed library operations on several occasions to supplement our analytical findings.

We conducted our audit fieldwork from September through November, 1991. The review was performed in accordance with generally accepted auditing standards. We found no instances of illegal acts while conducting the review and we omitted no information from the report because of privilege or confidentiality.

FINDINGS AND RECOMMENDATIONS

The OIG review found that the library generally follows applicable FTC and federal regulations. Staff responses to the questionnaire indicated that the assistance provided them was of high quality, that the library maintains current, relevant and readily available materials; and that the library is frequently used by the respondents. In addition, we verified that books ordered by the acquisitions staff are received and available for check out, and that periodicals received by the FTC appeared related to the agency's mission. It also appears that the library is not being overcharged for books ordered through its suppliers.

Our review of management controls identified certain steps that the library can take to improve overall operations and reduce its vulnerability to theft. We found that the library lacks adequate written procedures defining the purpose, roles, and responsibilities for important library functions such as acquisitions, lost book replacements, and the identification and collection of overdue books. In addition, access to the FTC library is not adequately controlled, and the public is permitted to work alongside of agency employees who are working on non-public matters. Overdue book retrieval procedures should be strengthened to ensure that past due books are promptly returned to the library.

A. FTC Library Lacks Formalized Operating Procedures

OMB Circular No. A-123 provides guidance to federal agencies regarding internal control systems. The circular requires that policies and procedures for each function within federal agencies be clearly documented and available for examination. Although general guidance for the library is found in Chapter 1, Section 800 of the FTC Administrative Manual, the library has not developed the specific procedures required by OMB Circular No. A-123. Without formalized procedures, the library lacks assurances that operations will be uniformly performed by all staff, that direct lines of accountability will be established, that security

² See Appendix II.

is maintained, assets are protected against loss, and financial transactions are safeguarded against fraud.

The library received a new director at the time the OIG began its audit. The new director worked in the FTC library for about 10 years before assuming her new responsibilities as director, and has a good understanding of library operations. At the OIG's request, she provided us with a draft set of 14 policies and procedures covering a portion of library operations. These written procedures are a good first step to meeting the requirements of the OMB Circular. However, these procedures lack uniformity in that the purpose, authority, and criteria sections are not clearly defined. In addition, some of the operating procedures lack the detailed guidance needed to insure accountability of operations.

Clearer definitions would facilitate monitoring of the library operations and lead to better internal controls. For example, the functions of acquisition, receipt, and payment approval for books are now performed in the same office of the library and often by the same person. OMB Circular No. A-123 requires that key duties such as authorizing, approving, and recording transactions, issuing or receiving assets, and making payments, be assigned to separate individuals to ensure only necessary items are purchased and that no items are lost without being discovered. Internal control, when properly established, reduces opportunities to conceal errors or to engage in or conceal irregularities. The assignment of work to employees so that no one individual controls all phases of an activity or transaction is the most fundamental of all internal controls. Present procedures do not clearly provide for adequate segregation of these functions. Although we found no indication that such irregularities were occurring, the existing climate would be conducive to such performance. Other important areas of library operations that lack written policies include circulation, overdue book returns, book replacements, and inventory accounting.

Recommendation 1.

The OIG recommends that the library director ensure that written policies and procedures covering library operations are in place, uniformly written, and up-to-date. At a minimum, these procedures should address acquisitions, circulation, overdue and lost books, and asset inventory. The format and internal control standards should follow those prescribed in OMB Circular No. A-123, with particular attention to adequate separation of duties.

B. Tighter Controls Over Library Access Are Needed to Ensure Security Over Non-Public Information and to Minimize Book Loss

The library, located on the sixth floor of the FTC Headquarters Building, is open to FTC staff 24 hours a day, seven days a week and to the public (non-FTC employees) from 8:30 a.m. to 5:00 p.m., Monday through Friday. Because FTC attorneys and other staff frequently use the library after normal business hours, library policy is to provide FTC employees unlimited access, although library staff are only scheduled to be present from 8:30 a.m. to 5:00 p.m.

Other libraries at federal agencies contacted by the OIG have less permissive access policies. For example, some limit access to only federal employees, while others restrict entry after non-duty hours to selected agency staff possessing key cards. No statistics exist to determine the relationship between access to the library and missing books. Yet, it is reasonable to conclude that the more controlled the access, the less likely it is that book theft will occur. To physically safeguard library assets, access to the library must be appropriately controlled.

The OIG reviewed general library security, including routine book check-out procedures, to determine whether controls were adequate to prevent a significant loss of the library's books. Although the OIG did not observe any theft, inventories performed by library staff years ago indicate that large numbers of books are missing. Since no inventory has been taken in the past three years, statements regarding overall annual losses cannot be made with any level of certainty. Our review of security found that procedures in place would do little to deter or prevent theft from occurring if an employee or visitor were inclined to commit theft. Individuals wishing to steal a book could easily place the book in a briefcase or under their arm among other books and papers, and walk out one of five uncontrolled library exits. The OIG believes that it is not necessarily cost-effective to implement sophisticated alarm systems, or restrict library use by FTC staff to normal business hours. Yet, we believe that security can be enhanced and procedures implemented that would reduce theft and removal of books from the library outside proper check-out procedures.

To determine whether missing books are a problem for the FTC library, the OIG reviewed cards in the library's lost book card file. Our review showed that 792 books were identified as missing during the period 1983 through 1989. Of the 792 lost books, 511 were identified as missing in the year 1986 when the last complete physical inventory was taken; another 225 books were identified as missing when a second, but more limited inventory of only reference books was taken in 1989.

Identification of the remaining 56 missing books occurred during other years using routine library procedures. Although most missing books are single-copy editions purchased by the library, some, including "The Antitrust Paradox: A Policy At War With Itself" by Judge Robert H. Bork, were purchased in multiple copies by library personnel due to their anticipated popularity among FTC staff. In this instance, the OIG found that of the ten copies originally purchased, four were reported missing in the 1985 inventory and an additional four copies were reported missing in the 1989 inventory.

To estimate the annual cost associated with missing books, the OIG calculated the library's cost to replace 18 missing books in FY 1990. The OIG determined that the average cost of a missing book for the sample was \$79. Applying this average to the total books identified by the library as missing, we estimate that the cost to replace the 792 missing books in 1990 dollars would total approximately \$62,000.

Our review also uncovered weaknesses in non-FTC visitor controls. FTC procedures for visitor access to the library require that non-FTC visitors show identification and sign a log book when first entering the building. This security log provides information regarding the visitor's name, affiliation, purpose of visit, and entrance and departure times. Since the library does not maintain a separate log, the security log represents the only record of non-FTC visitors using the library. The security guard is to call the library and announce each visitor. After the library is notified, the visitor proceeds unescorted to the sixth floor. FTC procedures require library staff to identify visitors still using the library at 5:00 p.m., and to enforce visitor departure hours. Visitors are not required to wear "badges" when using the library.

The OIG identified 76 non-FTC visitors to the library by reviewing the October 1991 visitor log maintained by the security guards at the building entrance. The logs showed that 10 of these visitors signed out after 5:15 p.m. and 19 did not sign out at all. Library staff told us that there is no method used to identify the non-FTC patron, and that most times this check is based on visual familiarity. Based on OIG observations, this check was seldom performed by library staff at 5:00 p.m. In addition, the library director admitted that the user, when asked to leave could simply walk the corridor for a short period, then return after the library staff departs for the day. As mentioned earlier, 13 percent of October 1991 library visitors have signed out of the building after 5:15 p.m. Without visitors distinguishable from FTC users, there is little FTC can do to enforce its non-employee hours.

In addition to the risk associated with non-FTC visitors to the library, it is likely that a number of missing books may simply be located in FTC staff offices. Other federal libraries told the OIG that they conduct searches and find many heretofore lost books. The FTC library has recently taken steps to locate lost books among the FTC staff. For example, the library staff issued a Commission-wide memorandum on December 12, 1991, offering a book return amnesty program. In the memorandum, library staff requested that staff return all library books in their possession (not recently checked out) to the library. The OIG believes that this is a good first step, but also believes that additional steps should be taken to collect outstanding books from FTC staff.

The OIG also surveyed nine agency libraries in the Washington, D.C. area. Although only four of the nine libraries were similar to the FTC in that lawyers comprise a significant percentage of the workforce, all of the libraries had similar missing book problems. Four of the library officials we spoke with considered missing books a significant problem; one characterized it as "horrendous." A summary of access to these nine libraries follows:

<u>Number of Libraries</u>	<u>Description of Access</u>
4	Access of staff and visitors limited to operating hours.
4	Access of staff and visitors during operating hours; non-duty hours limited to staff with key cards;
1	Access to federal employees only at all times. Access controlled at building entrance.

We asked library officials what steps they took to combat the problem of missing books at these nine agency libraries. One approach that was popular among librarians contacted was to list all missing books in the library bulletin, and distribute the bulletin to agency staff on a monthly basis. Other agency libraries simply restrict access through physical security measures, insuring that no visitors are present after public access hours. Another library told us that it had great success in recovering missing books by making periodic, unannounced visits to staff offices to collect missing books.

Because the FTC has 24-hour access and visitor hours that are rather liberal and not strictly enforced, we concluded that the procedures of the FTC library were more permissive than any of the nine other federal libraries surveyed. The OIG believes that the FTC has as much or more reason to restrict or control access as other libraries surveyed. The FTC library not only runs the risk of losing assets, but as a regulatory agency, it also is at risk of compromising the security of sensitive information relating to non-public investigations. Many of the attorneys working on cases do research in the library. The library is also used extensively by the public.

We believe the following factors contribute to the security and missing book problems discussed above:

Missing Books

- o Lack of management awareness and action concerning losses.
 - A complete inventory has not been taken since 1986 so actual library losses are not known.
 - Data on replacements of missing books is not captured and reported to management.
 - Missing books are not publicized.
 - Routine book check-out procedures are easily circumvented by any library user.
 - Checking for outstanding books is not performed when an employee leaves the agency.
 - Book check-out procedures are not posted.
- o FTC staff have unrestricted access to the library when library staff are not present.

Security Concerns

- o Access to the library is not adequately controlled.
 - Non-FTC users are not identified and have unrestricted access when in the library.
 - Non-FTC users can easily intermingle with agency staff working on non-public investigations.
 - Five doors to the library can be entered and exited without a key or key card 24-hours a day. Three doors are not within the line of sight of the library attendant station (front desk).
 - Library hours for non-FTC users are not posted.

Recommendation 2.

The OIG recommends that management awareness of library losses be increased by taking the following steps:

- a. That more frequent library inventories be taken and the results reported to management, and
- b. Data on all replacements of missing library materials (i.e., books, serials, and periodicals) be accumulated and reported to management at least annually.

Recommendation 3.

The OIG recommends that the following administrative actions be taken to collect missing books and minimize future losses:

- a. A list of missing books be circulated to FTC staff on a periodic basis;
- b. Self-canvassing efforts by FTC office occupants be encouraged;
- c. Routine book check-out procedures should be posted in the library.

Recommendation 4.

The OIG recommends that management enhance controls over non-FTC employee access to the library by:

- a. Instituting a visitor badge system to identify all non-FTC users;
- b. Requiring non-FTC users to sign-in and sign-out at the library's main desk (attendant station);
- c. Requiring non-FTC users to sit at a reserved table when visiting the library, and
- d. Restricting non-FTC user hours to 9:00 a.m. to 4:30 p.m. thereby providing library staff the time to reasonably enforce library visitor hours. Non-FTC visitor hours should be posted in the library.
- e. Installing key card locks on library entrance doors to be activated by library staff after normal working hours.

C. Tighter Controls are Needed to Ensure Return of Overdue Books

The Library User Guide, dated August 1988, and the FTC Administrative Manual (Section 800-2A(5)(a), dated 10/06/89) provides guidance on loan periods for circulating materials. These loan periods are as follows:

Books.....	3 weeks
Non-print material.....	3 weeks
Law Reporters.....	1 week
Periodicals.....	1 week

To account for circulating materials (hereafter referred to as "books"), a card file system is manually maintained. The card, which is removed from the book when it is checked out, shows the call number and title of the book, and provides space for the due date, user name, and phone and room numbers. To determine the number of overdue books, we reviewed the library's check-out card file. At the time of our review, this file contained 329 cards. We prepared an aging schedule for those books identified as overdue. The aging schedule shows that 228, or about 70 percent of the books checked out of the library were overdue. Of the 228 overdue books, 56 percent were overdue more than six months and 42 percent were overdue more than one year. Further review showed that 9 percent of the overdue 228 books were checked out to 16 prior FTC employees.

The OIG review of the library's followup procedures for overdue books found them to be ineffective. Library staff told us that only one overdue notice is sent to the user. When the notice is sent, the check-out card is transferred from the

current to the overdue card file. A copy of the notice is not retained. We were also told that, time permitting, a special review of overdue books would be made annually and additional notices would be sent out based on that review. No penalties are assessed and there is no limit on renewals.

The OIG also found that employee clearance procedures when terminating employment are inadequate to ensure that departing employees return all library books in their possession, and reimburse the agency for lost books signed out by these individuals. The FTC employee clearance record (FTC Form 67, revised 8/90) does not specifically require the library to verify that a departing employee has no outstanding books. Rather, the Information Center, a branch of the library, frequently signs off on the form. We were told that Information Center staff calls the library to verify the required information. However, the library director told us that this check requires a manual search of approximately 400 check out cards. She admitted that frequently, this check is not performed due to the amount of staff time this would require. Section 800.2A(5)(a) of the FTC Administrative Manual states that "the return of all materials is the responsibility of the borrower. The replacement costs for lost or damaged materials will be charged to the borrower." We did not find any instances when this provision was enforced.

Followup by the library at regular time intervals would encourage the user to locate the book and to return it or at least request renewal. Prolonged retention of books increases the risk that the book will eventually be lost and is contrary to an effective sharing of library resources by all employees.

Recommendation 5.

The OIG recommends that more timely followup be taken on overdue books, including the issuance of past due notices, the retrieval of books overdue more than six months, and the collection of replacement costs, in accordance with the FTC Administrative Manual, when users are unable to provide a past due book upon request.

Recommendation 6.

The OIG recommends that library clearance procedures/approvals be documented. The OIG also recommends that departing staff be assessed a fee to cover the cost of any checked-out book that is not returned to the library upon the employee's departure from the agency.

A P P E N D I C E S

LIBRARY SERVICES STATISTICS FOR FY 91

	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUNE</u>	<u>JULY</u>	<u>AUG</u>	<u>SEP</u>	<u>TOTAL</u>
Circulation													
Law Mono/Periodicals	139	82	92	97	101	93	98	82	87	126	98	70	1165
Monographs/Books	133	72	108	139	140	125	114	118	102	139	109	88	1387
Periodicals (Non-law)	37	19	38	32	31	28	37	31	28	36	41	13	371
Reference Books	12	1	1	1	2	3	2	9	1	6	1	1	40
Audio Visual		10	7	25	14	16	8	11	11	4	8	4	118
TOTAL CIRCULATION	321	184	246	294	288	265	259	251	229	311	257	176	3081
Interlibrary Loan													
Loaned	120	107	108	109	139	135	135	133	138	158	148	108	1538
Borrowed	88	103	83	100	141	145	102	80	99	141	121	117	1320

APPENDIX II

QUESTIONNAIRE RESULTS

The OIG surveyed library users during the start of fiscal 1992 to assess: (1) the adequacy of the library's resources (books, periodicals, databases, etc.) and, (2) the quality of assistance provided by the library staff to FTC users. The OIG forwarded questionnaires to 50 FTC staff members. Of those surveyed, 80 percent (or 40) responded. Results are summarized below.

<u>Percentage Responses</u>	
Use Library	
Yes.....	98%
No.....	2%
Frequency of Use	
Weekly.....	61%
Monthly.....	26%
Infrequently.....	13%
Time of Use*	
During Normal Hours.....	100%
Before Normal Hours.....	8%
After Normal Hours.....	18%
Material Used*	
Law Collection.....	92%
Periodicals.....	82%
Business/Econ Holdings..	79%
Computer Databases.....	77%
Newspapers.....	72%
Nonprint Material.....	51%
Other Libraries Used*	
DOJ.....	38%
GAO.....	10%
Library of Congress.....	10%
SEC.....	5%
FDA.....	5%
NIH.....	5%
FTC Satellite.....	5%
DOL.....	3%

* More than one response possible.

Percentage Responses

Loan Period Adequate*

Nonprint Material.....	97%
Law Review.....	95%
Business & Economics...	92%
Periodicals.....	92%

Security Problem

No.....	80%
Yes.....	15%
Unsure.....	5%

Library Rating

(Lowest - Highest)

(1 - 7)

7.....	8%
6.....	35%
5.....	35%
4.....	14%
3-1.....	8%

Library Staff Rating

(Lowest - Highest)

(1 - 7)

7.....	20%
6.....	43%
5.....	20%
4.....	15%
3-1.....	3%

* More than one response possible.

APPENDIX III

M A N A G E M E N T ' S C O M M E N T S



OFFICE OF THE
EXECUTIVE DIRECTOR

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

May 5, 1992

MEMORANDUM

To: Janet D. Steiger
Chairman

From: Alan Proctor *Alc*
Deputy Executive Director
for Planning & Information

Subject: Management response to OIG Report on
Audit 92-016: Review of the FTC's Library Services

These comments are submitted in response to the report of the review conducted by the Office of Inspector General ("OIG") concerning the FTC's library services. This review was conducted over the course of the past six months and has documented areas of both relative strength and weakness in our library services.

Our comments are organized in two parts: the first section includes several general observations and clarifications on topics covered in the report; the second section addresses the specifics of the Inspector General's recommendations. As you will see, in a number of cases the library has already adopted new procedures addressing some of the issues raised in the audit, either in advance of the audit or in advance of these recommendations.

General Comments/Clarifications

Overall, the OIG report is in our view a reasonably balanced and helpful review of our performance in delivering library services to the Commission and its staff, and we appreciate both the constructive approach taken by OIG in conducting this review and the generally reasonable nature of the specific recommendations that are offered for improving our services.

Importantly, the review does seem to keep the services under review (and related Commission needs) in proper perspective: library services, which are provided to Commission staff through the Library Services Branch of the Library Division (not the Library Services Division), are important support resources for the Commission's law enforcement and other programs; but they are also provided by a relatively small organization (total 9.8 FTE,

including about 7.6 government employee FTE's and 2.2 contractor FTE's), with relatively limited resources to a relatively small overall Commission staff. Library and related information services is also a very dynamic, rapidly changing area in which many new opportunities are arising, which presents further challenges for maintaining ongoing operations while improving, expanding and supporting additional services on basically a fixed budget.

Figures provided on spending by the entire Library Division in the table on page 2 are generally accurate, although it should be noted that the money allocated for periodicals includes all periodicals ordered for the agency, including the BCP, BC, and Regional Office library collections, and all papers, magazines, and journals received in individual FTC offices. For example, in fiscal 1992 year, the Commission's overall total budget for periodicals is \$360,000; of this, \$233,000 is allocated to Library Services Branch for central purchasing, and \$127,000 is allocated to and in large part controlled by individual Commissioner, Bureau and other offices.

The small size of the library naturally limits the scale of its various activities, and in many cases also leads to overlapping responsibilities as necessary when an individual otherwise responsible for one or more functions is out of the office. Thus, although we can certainly improve the quantity and quality of written materials we have in place documenting our internal procedures, it is important to recognize that we are never going to have either the need for or the actual scope of written procedures that might be appropriate for a much larger organization. Areas related to internal controls are one reasonable area on which to focus, although even here, the small size of our library will necessitate compromises in order to make any approach reasonably workable.

In this context, we believe the concern expressed in the report that the library does not have adequate internal controls in place for the acquisitions, receipt, and payment of invoices may misunderstand or misinterpret what we believe are generally reasonable control procedures. The mechanics of ordering books is performed in the acquisitions office which has a staff of only 2 people. This office is responsible for generating purchase orders, recording the receipt of materials, and authorizing invoices for payment. Because of the small staff in the office, on occasion, the same person has performed more than one of these functions. In the past few months, we have made an effort to separate these procedures, and the following procedure is now followed:

All purchases are authorized by the Manager of Library Services, who signs each purchase order that goes out of the Library. When materials are received, the library technician in the acquisitions office checks them in, and records receipt. All invoices are authorized by the acquisitions librarian.

In our view, this approach provides adequate separation of functions and specificity to meet reasonable internal controls standards with respect to the acquisitions function.

Finally, the report focuses considerable attention on the security of library resources, especially from two perspectives: estimated losses from the collection, and adequate protection for investigation-sensitive materials that may be in the library.

Although as noted below in connection with the specific recommendations, we are in agreement with the portion of the report recommendations concerning access points to library materials (and have in fact been working with Procurement & General Services over the past several years to improve the current situation), we believe the report may overestimate somewhat the scope of the lost-book problem and the threat posed to government interests through use of the library by non-FTC employees.

The report cites the fact that our inventories have documented the apparent loss from library shelves of approximately 792 books. This is the number of books identified as missing in the 1983 and 1989 inventories, and represents the cumulative total over a minimum time period of 13 years (dating back to at least 1976) of books that, although they may be elsewhere in the Commission (such as on the shelves of various employees) could not be located in the library. We assume that a reasonable estimate of the average cost of each missing book is \$47.17; this is based on the average cost in 1990 for hardcover books in the fields of business [\$45.18], law [\$55.09], and sociology and economics [41.24], as reported in "Hardcover Average Per-Volume Prices, 1988-1990" in Library and Book Trade Almanac, 1991, New Providence, N.J. (R.R. Bowker, 1991), at 429. Based on this estimate, the total cost in 1990 dollars for the 792 missing books, assuming they are lost, not returned, and would be appropriate to be replaced, would be \$37,358.64 which, when spread over the minimum 13 of years during which they were lost, produces an annual estimated cost of \$2,873.74. Nobody likes losing anything, and we are certainly interested in further reducing our unnecessary costs, but in perspective with other costs, this is not an especially high number; it should certainly be kept in mind as various "cures" for the "problem" are considered.

Finally, on the topic of the "security of sensitive information," which the report discusses at some length, we assume the report intended to refer principally to documents and other information that FTC staff may bring to the library as part of their research and not documents that are part of the library collection. The Library does not, in fact, have any non-public information in its open collection.

Management Responses to Specific Recommendations

Report Recommendation 1:

Recommendation: The OIG recommends that the library director ensure that written policies and procedures covering library operations are in place, uniformly written, and up-to-date. At a minimum, these procedures should address acquisitions, circulation, overdue and lost books, and asset inventory. The format and internal control standards should follow those prescribed in OMB Circular no. A-123, which particular attention to adequate separation of duties.

Management Response: We concur, based on the understanding that the extent of written documentation will be reasonable given the size and scope of library and relative importance of various issues.

Report Recommendation 2:

The OIG recommends that management awareness of library losses be increased by taking the following steps:

Recommendation a: That more frequent library inventories be taken and the results reported to management.

Management response: The Library management has always recognized the importance of conducting inventories of the collection on a regular basis. The reason they have not been done more often has been a matter of resources - conducting an inventory is a very labor-intensive task, and the library has not had enough staff to do these inventories. To address this issue, we added the task of performing a complete inventory of the book collection to an outside contract we were recompeting. This contract was awarded in September 1991, and work on the inventory was started in October 1992. The contract calls for the inventory to be done over the three year period of the overall contract, with a third of the collection done every year. We believe this is adequate and that since an inventory is currently being conducted, no further action is required at this time. In the future, we would anticipate that relative priorities and resources would permit a complete inventory of the library collection at least once every five years.

Recommendation b: Data on all replacements of missing library materials be accumulated and reported to management at least annually.

Management response: We feel that the report on missing items referred to in section (a) above is adequate to effectively address missing items. From this report, decisions can be made on whether or not replacements should

be acquired. All missing items are not automatically replaced -- an item may not still be in print, or it may not still be of great enough interest to the current mission of the agency to warrant replacement. A report on which of the missing items were actually replaced would not be too relevant to the management of the collection.

Report Recommendation 3:

Recommendations: The OIG recommends that the following administrative actions be taken to collect missing books and minimize future losses:

- a. A list of missing books be circulated to FTC staff on a periodic basis;
- b. Self-canvassing efforts by FTC office occupants be encouraged;
- c. Routine book check-out procedures should be posted in the library.

Management response: Concur.

Report Recommendation 4:

The OIG recommends that management enhance controls over non-FTC employee access to the library by:

Recommendations a - c:

- a. Instituting a visitor badge system to identify all non-FTC users;
- b. Requiring non-FTC users to sign-in and sign-out at the library's main desk (attendant station);
- c. Requiring non-FTC users to sit at a reserved table when visiting the library;

Management response: These sections of recommendation (4) address the security of non-public information when non-FTC staff use the library. We are not aware that this has ever been a problem in the library, since FTC attorneys who work in the library are aware that the library is open to the public, and are sensitive to this fact when working with non-public files.

In addition, requiring badges for library visitors, and requiring visitors to sign in and sign out, are at this time both unenforceable and not clearly needed. The library currently has many entrances, which at the present time must

remain open because of fire laws. There is no way to guarantee that all visitors will come through the main entrance, or that if a visitor does come through the main entrance, there will be a library staff person there at the moment to require the visitor to sign in and assign a badge. The sign-in/sign-out policy is also redundant with building security procedures, since all non-FTC staff are now required to sign-in and out at the guard's station, where the procedure is much more controllable.

We feel that the main weakness in library security is that there are many entrances and exits, which can not all be monitored by library staff. We are currently working with Procurement and General Services, as part of the upgrade to the fire safety system, to put fire safety approved security locks all on library doors to essentially require that the library be accessed (by both employees and visitors) solely through the front door, at Room 630. This will be the most effective way to control access to the library.

Requiring non-FTC users to sit at a reserved table is both impractical, hard to enforce, and without any evidence of a problem specifically associated with visitor use of the library, unneeded and unnecessarily stigmatizing of visitors. The library does not have enough work-space to allocate separate work areas for FTC and non FTC users, and even if space were available, it would be inefficient for all users. Users tend to work in the area where the materials they are using are located. If we restrict work areas, patrons (including FTC attorneys) may not be able to work near the materials they need. Enforcement would also be difficult, since there are many work areas that are not visible to the library staff person on duty.

Recommendation d: Restricting non-FTC user hours to 9:00 a.m. to 4:30 p.m. thereby providing library staff the time to reasonably enforce library visitor hours. Non-FTC visitor hours should be posted in the library.

Management response: We concur in the recommendation to post non-FTC visitor hours in the library, but it is not necessary to shorten the available hours of access from the current 8:30 a.m. to 5:00 p.m. hours in effect at the current time. The staff that serves the public part of the library has staggered shifts which begin at 8:00 and end at 6:00, which allows the staff the time to enforce the 8:30 to 5:00 public hours.

Recommendation e: Installing key card locks on library entrance doors to be activated by library staff after normal working hours.

Management response: Concur. This is something worth investigating, and if a good, cost-effective solution could

be worked out, it would improve security of the library. We have been discussing installation of such a system with the Division of Procurement & General Services, possibly as an extension of the existing main building security system.

Report Recommendation 5:

Recommendation: The OIG recommends that more timely follow-up be taken on overdue books, including the issuance of past due notices, the retrieval of books overdue more than six months, and the collection of replacement costs, in accordance with the FTC Administrative Manual, when users are unable to provide a past due book upon request.

Management response: Concur. We agree with these recommendations and will set up a system to implement them. Since this audit was begun last year, the library has started sending out more overdue notices, and will keep this new procedure in place. Also, pending installation of an automated integrated library system, we expect to acquire much better tools for tracking and enforcing lending policies and procedures.

Report Recommendation 6

Recommendation: The OIG recommends that library clearance procedures/approvals be documented. The OIG also recommends that departing staff be assessed a fee to cover the cost of any checked-out book that is not returned to the library upon the employee's departure from the agency.

Management response: Concur. We agree with these recommendations. Pursuant to previously-developed, written Planning & Information Program checkout procedures, we have recently instituted a procedure to do a more thorough check on all staff leaving the agency to determine if they have any library materials unaccounted for and if so, to assure that they are billed for them if they cannot return them upon departure from the agency.